



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2006  
OF THE CONDITION AND AFFAIRS OF THE

Priority Health

NAIC Group Code	3383	3383	NAIC Company Code	95561	Employer's ID Number	38-2715520
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [ ]      Property/Casualty [ ]      Dental Service Corporation [ ] Vision Service Corporation [ ]      Other [ ]      Health Maintenance Organization [ X ] Hospital, Medical & Dental Service or Indemnity [ ]      Is HMO, Federally Qualified? Yes [ ] No [ X ]					
Incorporated/Organized	03/07/1986		Commenced Business	10/15/1986		
Statutory Home Office	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	1231 East Beltline NE		Grand Rapids, MI 49525-4501	616-464-8235		
	(Street and Number)		(City or Town, State and Zip Code)	(Area Code) (Telephone Number)		
Mail Address	1231 East Beltline NE		Grand Rapids, MI 49525-4501			
	(Street and Number or P.O. Box)		(City or Town, State and Zip Code)			
Primary Location of Books and Records	1231 East Beltline NE		Grand Rapids, MI 49525-4501	616-464-8926		
	(Street and Number)		(City or Town, State and Zip Code)	(Area Code) (Telephone Number)		
Internet Website Address	www.priority-health.com					
Statutory Statement Contact	Kristy Shoemaker			616-464-8926		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	kristy.shoemaker@priority-health.com			616-942-7916		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact	1231 East Beltline NE		Grand Rapids, MI 49525-4501	800-446-5674		
	(Street and Number)		(City or Town, State and Zip Code)	(Area Code) (Telephone Number) (Extension)		

OFFICERS

Name	Title	Name	Title
Kimberly K Horn	Chief Executive Officer	Judith W Hooyenga	Secretary
Gaylen J Byker #	Interim Treasurer		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Richard C. Breon	Joseph L Brock	Gaylen J Byker	Craig H Bethune
Kenneth J Fawcett	Michael P Freed	Jon M Gans	David E Gast
Christina MacInnes	Nicholas P Kokx	Lynn M Kotecki	Peter B Lundeen
Charles E McCallum	Kathleen S Ponitz	Timothy V Smith	Hilary F Snell
Dale M Sowders	Jody D Vanderwel	Thomas J Wesholski	Dennis Aloia
Daniel H Baldwin	Stephen W Burkhammer	Stephen B Reznicek	Robert W Roth
Karl D Deck	Thomas G Schwaderer		

State of Michigan  
County of Kent ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kimberly K Horn  
Chief Executive Officer

Judith W Hooyenga  
Secretary

Gaylen J Byker  
Interim Treasurer

a. Is this an original filing? Yes [ X ] No [ ]

- b. If no,
1. State the amendment number
  2. Date filed
  3. Number of pages attached

Subscribed and sworn to before me this  
15 day of November, 2006

Cheryl Britcher, Executive Administrative Assistant  
12/30/2011

ASSETS

	Current Statement Date			4  December 31 Prior Year Net Admitted Assets
	1  Assets	2  Nonadmitted Assets	3  Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	132,553,172	0	132,553,172	128,081,299
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....	48,286,841	0	48,286,841	46,390,245
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ .....0 encumbrances) .....	245,545	245,545	0	78,217
4.2 Properties held for the production of income (less \$ .....0 encumbrances) .....			0	0
4.3 Properties held for sale (less \$ .....0 encumbrances) .....			0	0
5. Cash (\$ .....(5,041,763) ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....135,635,883 ) .....	130,594,120		130,594,120	150,093,072
6. Contract loans, (including \$ .....premium notes)			0	0
7. Other invested assets .....	0	0	0	0
8. Receivables for securities .....	0	0	0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	311,679,678	245,545	311,434,133	324,642,833
11. Title plants less \$ .....charged off (for Title insurers only) .....	0	0	0	0
12. Investment income due and accrued .....	2,415,180	0	2,415,180	2,771,769
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	16,074,856	0	16,074,856	8,178,410
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premiums) .....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....	0	0	0	0
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset .....			0	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software .....	0		0	0
19. Furniture and equipment, including health care delivery assets (\$ .....0 ) .....	0	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....	12,433,019	0	12,433,019	4,144,185
22. Health care (\$ .....5,691,689 ) and other amounts receivable .....	5,758,264	2,636,644	3,121,620	3,887,003
23. Aggregate write-ins for other than invested assets .....	54,204	54,204	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	348,415,201	2,936,393	345,478,808	343,624,200
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0	0
26. Total (Lines 24 and 25)	348,415,201	2,936,393	345,478,808	343,624,200
DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses.....	54,204	54,204	0	0
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	54,204	54,204	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....0 reinsurance ceded)	78,853,901	7,987,262	86,841,163	80,832,493
2. Accrued medical incentive pool and bonus amounts	16,040,663	0	16,040,663	39,355,348
3. Unpaid claims adjustment expenses	1,326,998	134,414	1,461,412	1,649,642
4. Aggregate health policy reserves	0	0	0	713,950
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	11,079,413		11,079,413	9,430,851
9. General expenses due or accrued	2,974,364		2,974,364	2,874,965
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	2,502,947		2,502,947	969,597
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans	547,359		547,359	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	113,325,645	8,121,676	121,447,321	135,826,846
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,524	10,524
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	35,819,002	35,819,002
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	1,000,000	1,000,000
29. Unassigned funds (surplus)	XXX	XXX	187,201,959	170,967,828
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24) \$ ..... )	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25) \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	224,031,485	207,797,354
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	345,478,806	343,624,200
DETAILS OF WRITE-INS				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	1,000,000	1,000,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,169,118	3,328,482
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	809,523,293	775,847,757
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	713,950	5,284,586
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	810,237,243	781,132,343
Hospital and Medical:			
9. Hospital/medical benefits .....		532,470,475	481,165,655
10. Other professional services .....		396,285	233,048
11. Outside referrals .....		22,026,430	21,032,429
12. Emergency room and out-of-area .....		15,475,638	14,471,884
13. Prescription drugs .....		148,290,439	137,372,095
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		9,741,829	24,985,983
16. Subtotal (Lines 9 to 15) .....	0	728,401,096	679,261,094
Less:			
17. Net reinsurance recoveries .....		0	155,544
18. Total hospital and medical (Lines 16 minus 17) .....	0	728,401,096	679,105,550
19. Non-health claims (net).....		0	0
20. Claims adjustment expenses, including \$ 1,180,669 ..... cost containment expenses.....		11,806,695	10,044,177
21. General administrative expenses.....		66,904,604	56,917,001
22. Increase in reserves for life and accident and health contracts including \$ ..... increase in reserves for life only).....			0
23. Total underwriting deductions (Lines 18 through 22) .....	0	807,112,395	746,066,728
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	3,124,848	35,065,615
25. Net investment income earned .....		9,613,711	6,545,640
26. Net realized capital gains (losses) less capital gains tax of \$ .....0 .....		(17,973)	3,245
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	9,595,738	6,548,885
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
29. Aggregate write-ins for other income or expenses .....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	12,720,586	41,614,500
31. Federal and foreign income taxes incurred .....	XXX		0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	12,720,586	41,614,500
DETAILS OF WRITE-INS			
0601. ....	XXX	0	0
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	XXX	0	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above) .....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....	0	0	0
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above) .....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	207,797,354	155,024,288	155,024,288
34. Net income or (loss) from Line 32.....	12,720,586	41,614,500	57,809,653
35. Change in valuation basis of aggregate policy and claim reserves.....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(335,962)	(630,386)	(1,663,920)
37. Change in net unrealized foreign exchange capital gain or (loss).....		0	0
38. Change in net deferred income tax.....		0	0
39. Change in nonadmitted assets.....	3,849,507	(3,073,665)	(3,372,667)
40. Change in unauthorized reinsurance.....	0	0	0
41. Change in treasury stock.....		0	0
42. Change in surplus notes.....	0	0	0
43. Cumulative effect of changes in accounting principles.....		0	0
44. Capital Changes:			
44.1 Paid in.....		0	0
44.2 Transferred from surplus (Stock Dividend).....		0	0
44.3 Transferred to surplus.....		0	0
45. Surplus adjustments:			
45.1 Paid in.....		0	0
45.2 Transferred to capital (Stock Dividend).....0		0	0
45.3 Transferred from capital.....		0	0
46. Dividends to stockholders.....		0	0
47. Aggregate write-ins for gains or (losses) in surplus.....0		0	0
48. Net change in capital & surplus (Lines 34 to 47).....	16,234,131	37,910,449	52,773,066
49. Capital and surplus end of reporting period (Line 33 plus 48)	224,031,485	192,934,737	207,797,354
DETAILS OF WRITE-INS			
4701. ....		0	0
4702. ....		0	0
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page.....0		0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	803,275,408	1,039,057,723
2. Net investment income .....	10,510,950	10,302,632
3. Miscellaneous income .....	0	0
4. Total (Lines 1 to 3) .....	813,786,358	1,049,360,355
5. Benefits and loss related payments .....	743,674,709	895,939,847
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	78,238,792	93,547,583
8. Dividends paid to policyholders .....	0	0
9. Federal and foreign income taxes paid (recovered) \$ ..... net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9) .....	821,913,501	989,487,430
11. Net cash from operations (Line 4 minus Line 10) .....	(8,127,143)	59,872,925
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	13,241,322	43,711,060
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	193,998	(762,463)
12.7 Miscellaneous proceeds .....	0	849,799
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	13,435,320	43,798,396
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	18,271,818	47,551,246
13.2 Stocks .....	2,232,561	22,006,576
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	126,672	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	20,631,051	69,557,822
14. Net increase (or decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(7,195,731)	(25,759,426)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	0	0
16.6 Other cash provided (applied).....	(4,176,080)	(10,010,264)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	(4,176,080)	(10,010,264)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17) .....	(19,498,954)	24,103,235
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	150,093,072	125,989,837
19.2 End of period (Line 18 plus Line 19.1)	130,594,118	150,093,072

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	372,107	939	370,199	0	0	0	0	969	0	0	0	0	0
2 First Quarter	354,100	1,177	349,039	0	0	0	0	3,884	0	0	0	0	0
3 Second Quarter	350,471	1,209	344,590	0	0	0	0	4,672	0	0	0	0	0
4. Third Quarter	350,098	1,177	343,711					5,210					
5. Current Year	0												
6 Current Year Member Months	3,169,118	10,697	3,119,435					38,986					
Total Member Ambulatory Encounters for Period:													
7. Physician	1,897,009	6,316	1,841,727					48,966					
8. Non-Physician	51,439	171	49,940					1,328					
9. Total	1,948,448	6,487	1,891,667	0	0	0	0	50,294	0	0	0	0	0
10. Hospital Patient Days Incurred	61,632	195	56,967					4,470					
11. Number of Inpatient Admissions	16,037	52	15,292					693					
12. Health Premiums Written	810,772,100	2,378,610	783,691,153					24,702,337					
13. Life Premiums Direct	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	810,237,243	2,374,841	783,163,184					24,699,218					
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services	744,173,090	2,886,364	722,957,233					18,329,493					
18. Amount Incurred for Provision of Health Care Services	728,401,096	2,825,190	703,878,051					21,697,855					

**STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health**

## CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

[illegible]



UNDERWRITING AND INVESTMENT EXHIBIT  
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....	74,821,429	619,310,332	5,102,881	77,540,673	79,924,310	80,003,248
2. Medicare Supplement .....					.0	.0
3. Dental Only .....					.0	.0
4. Vision Only .....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare .....	560,465	17,769,028	6,829	4,190,780	567,294	829,245
7. Title XIX - Medicaid .....					.0	.0
8. Other Health .....					.0	.0
9. Health Subtotal (Lines 1 to 8) .....	75,381,894	637,079,360	5,109,710	81,731,453	80,491,604	80,832,493
10. Healthcare receivables (a) .....	6,437,280	974,372	97,529	5,353,067	6,534,809	6,984,617
11. Other non-health .....				.0	.0	.0
12. Medical incentive pools and bonus amounts .....	35,229,201	3,894,287		16,040,663	35,229,201	39,355,348
13. Totals .....	104,173,815	639,999,275	5,012,181	92,419,049	109,185,996	113,203,224

(a) Excludes \$ .....0 loans and advances to providers not yet expensed.

**NOTES TO FINANCIAL STATEMENTS****HEALTH**

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5	Investments	10.1
6	Joint Ventures, Partnerships and Limited Liability Companies	10.1
7	Investment Income	10.1
8	Derivative Instruments	10.1
9	Income Taxes	10.1
10	Information Concerning Parent, Subsidiaries, and Affiliates	10.1
11	Debt	10.1
12	Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans	
13	Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi- Reorganizations	10.1
14	Contingencies	10.1
15	Leases	10.2
16	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk	10.2
17	Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities	10.2
18	Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans	10.2
19	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators	10.2
20	September 11 Events	10.2
21	Other Items	10.2
22	Events Subsequent	10.2
23	Reinsurance	10.2
24	Retrospectively Rated Contracts & Contracts Subject to Redetermination	10.2
25	Change in Incurred Claims and Claim Adjustment Expenses	10.2
26	Intercompany Pooling Arrangements	10.2
27	Structured Settlements	10.3
28	Health Care Receivables	10.3
29	Participating Policies	10.3
30	Premium Deficiency Reserves	10.3
31	Anticipated Salvage and Subrogation	10.3

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Summary of Significant Accounting Policies

No material changes from year end disclosures.

### 2. Accounting Changes and Correction of Errors

No material changes from year end disclosures.

### 3. Business Combinations and Goodwill

No material changes from year end disclosures.

### 4. Discontinued Operations

No material changes from year end disclosures.

### 5. Investments

No material changes from year end disclosures.

### 6. Joint Ventures, Partnerships and Limited Liability Companies

No material changes from year end disclosures.

### 7. Investment Income

No material changes from year end disclosures.

### 8. Derivative Instruments

No material changes from year end disclosures.

### 9. Income Taxes

No material changes from year end disclosures.

### 10. Information Concerning Parent, Subsidiaries, and Affiliates

During the third quarter, the Plan contributed additional capital to its subsidiaries, Priority Health Government Programs and Priority Health Insurance Company, in the amounts of \$1,200,000 and \$800,000, respectively.

### 11. Debt

No material changes from year end disclosures.

### 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No material changes from year end disclosures.

### 13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

No material changes from year end disclosures.

### 14. Contingencies

## NOTES TO FINANCIAL STATEMENTS

No material changes from year end disclosures.

### 15. Leases

No material changes from year end disclosures.

### 16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No material changes from 1<sup>st</sup> quarter disclosures.

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

No material changes from year end disclosures.

### 18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

No material changes from 1<sup>st</sup> quarter disclosures

### 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No material changes from year end disclosures.

### 20. September 11 Events

No material changes from year end disclosures.

### 21. Other Items

No material changes from year end disclosures.

### 22. Events Subsequent

The Plan contributed additional capital to its subsidiary, Priority Health Government Programs, in the amount of \$2,550,000. The transfer occurred on October 25, 2006.

Holland Community Hospital, a minority shareholder of the Plan, has exercised a put option which requires Priority Health to redeem the Hospital's shares of stock. The redemption price is based on Priority Health's net book value and is approximately \$42,000,000. The transaction will be effective upon completion of all conditions precedent to the closing, but no later than December 31, 2006.

### 23. Reinsurance

No material changes from year end disclosures.

### 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No material changes from 1<sup>st</sup> quarter disclosures

### 25. Change in Incurred Claims and Claim Adjustment Expenses

No material changes from year end disclosures.

### 26. Intercompany Pooling Arrangements

No material changes from year end disclosures.

## NOTES TO FINANCIAL STATEMENTS

### **27. Structured Settlements**

No material changes from year end disclosures.

### **28. Health Care Receivables**

No material changes from year end disclosures.

### **29. Participating Policies**

No material changes from year end disclosures.

### **30. Premium Deficiency Reserves**

No material changes from year end disclosures.

### **31. Anticipated Salvage and Subrogation**

No material changes from year end disclosures.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? .....

Yes [ ☐ ] No [X]
- 1.2

If yes, has the report been filed with the domiciliary state? .....

Yes [ ☐ ] No [ ☐ ]
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ☐ ] No [X]
- 2.2

If yes, date of change: .....

If not previously filed, furnish herewith a certified copy of the instrument as amended.
3.

Have there been any substantial changes in the organizational chart since the prior quarter end? .....

Yes [ ☐ ] No [X]

If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ☐ ] No [X]
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? .....

If yes, attach an explanation.

Yes [ ☐ ] No [X] NA [ ☐ ]
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2003
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2003
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

04/04/2005
- 6.4

By what department or departments?  
OF IS.....
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?.....

Yes [ ☐ ] No [X]
- 7.2

If yes, give full information:  
.....
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?.....

Yes [ ☐ ] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes [ ☐ ] No [X]
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

GENERAL INTERROGATORIES

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$ .....1,661,885

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? ..... Yes ☐ No ☒
- 10.2 If yes, explain:  
.....

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes ☐ No ☒
- 11.2 If yes, give full and complete information relating thereto:  
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....0

13. Amount of real estate and mortgages held in short-term investments: .....\$ .....0

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes ☒ No ☐

14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds .....	\$	.....	\$ .....11,330,210
14.22 Preferred Stock .....	\$	.....	\$ .....11,330,210
14.23 Common Stock .....	\$	.....12,677,982	\$ .....11,330,210
14.24 Short-Term Investments .....	\$	.....	\$ .....11,330,210
14.25 Mortgage Loans on Real Estate .....	\$	.....	\$ .....11,330,210
14.26 All Other .....	\$	.....	\$ .....11,330,210
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$	.....12,677,982	\$ .....11,330,210
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$	.....	\$ .....11,330,210

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes ☐ No ☒

- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes ☐ No ☐

If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes ☒ No ☐

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Fifth Third Bank.....	Grand Rapids, MI.....
Huntington National Bank.....	Grand Rapids, MI.....
Mellon Trust.....	Pittsburgh, PA.....

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

- 16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? ..... Yes ☐ No ☒

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
n/a.....	Prime Investments.....	Bloomfield, CT.....

- 17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes ☒ No ☐

17.2 If no, list exceptions:  
.....

SCHEDULE A - VERIFICATION

Real Estate

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	312,868	404,124
2. Increase (decrease) by adjustment .....	(67,323)	(91,256)
3. Cost of acquired .....	0	0
4. Cost of additions to and permanent improvements .....	0	0
5. Total profit (loss) on sales .....	0	0
6. Increase (decrease) by foreign exchange adjustment .....	0	0
7. Amount received on sales .....	0	0
8. Book/adjusted carrying value at end of current period .....	245,545	312,868
9. Total valuation allowance .....	0	0
10. Subtotal (Lines 8 plus 9) .....	245,545	312,868
11. Total nonadmitted amounts .....	245,545	234,651
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	78,217

SCHEDULE B – VERIFICATION

Mortgage Loans

	1	2
	Year to Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, September 30 of prior year.....	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions .....		0
2.2. Additional investment made after acquisitions .....		0
3. Accrual of discount and mortgage interest points and commitment fees .....		0
4. Increase (decrease) by adjustment .....		0
5. Total profit (loss) on sale .....		0
6. Amounts paid on account or in full during the period .....		0
7. Amortization of premium .....		0
8. Increase (decrease) by foreign exchange adjustment .....		0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....	0	0
10. Total valuation allowance .....		0
11. Subtotal (Lines 9 plus 10) .....	0	0
12. Total nonadmitted amounts .....		0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0	15,217,376
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions .....		0
2.2. Additional investment made after acquisitions .....		0
3. Accrual of discount .....		0
4. Increase (decrease) by adjustment .....		(15,217,376)
5. Total profit (loss) on sale .....		0
6. Amounts paid on account or in full during the period .....		0
7. Amortization of premium .....		0
8. Increase (decrease) by foreign exchange adjustment .....		0
9. Book/adjusted carrying value of long-term invested assets at end of current period .....	0	0
10. Total valuation allowance .....		0
11. Subtotal (Lines 9 plus 10) .....	0	0
12. Total nonadmitted amounts .....		0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	174,471,544	136,045,740
2. Cost of bonds and stocks acquired .....	20,504,378	69,557,822
3. Accrual of discount .....	57,537	0
4. Increase (decrease) by adjustment .....	(335,964)	12,583,333
5. Increase (decrease) by foreign exchange adjustment .....	0	0
6. Total profit (loss) on disposal .....	(17,973)	(4,291)
7. Consideration for bonds and stocks disposed of .....	13,241,323	43,711,060
8. Amortization of premium .....	598,186	0
9. Book/adjusted carrying value, current period .....	180,840,013	174,471,544
10. Total valuation allowance .....		0
11. Subtotal (Lines 9 plus 10) .....	180,840,013	174,471,544
12. Total nonadmitted amounts .....		0
13. Statement value .....	180,840,013	174,471,544



SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	255,130,431	83,856,982	76,307,410	(348,084)	286,519,599	255,130,431	262,331,919	274,287,895
2. Class 2 .....	7,745,620		2,206,924	318,440	7,873,976	7,745,620	5,857,136	10,802,221
3. Class 3 .....	0				0	0	0	0
4. Class 4 .....	0				0	0	0	0
5. Class 5 .....	0				0	0	0	0
6. Class 6 .....	0				0	0	0	0
7. Total Bonds	262,876,051	83,856,982	78,514,334	(29,644)	294,393,575	262,876,051	268,189,055	285,090,116
<b>PREFERRED STOCK</b>								
8. Class 1 .....	0				0	0	0	0
9. Class 2 .....	0				0	0	0	0
10. Class 3 .....	0				0	0	0	0
11. Class 4 .....	0				0	0	0	0
12. Class 5 .....	0				0	0	0	0
13. Class 6 .....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	262,876,051	83,856,982	78,514,334	(29,644)	294,393,575	262,876,051	268,189,055	285,090,116

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter					
	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999 Totals	135,635,883	XXX	135,333,126	5,205,649	369,433

SCHEDULE DA - PART 2- VERIFICATION

Short-Term Investments Owned		
	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	156,709,056	128,485,679
2. Cost of short-term investments acquired .....	224,149,439	348,041,864
3. Increase (decrease) by adjustment .....	193,998	(758,544)
4. Increase (decrease) by foreign exchange adjustment .....		0
5. Total profit (loss) on disposal of short-term investments .....		(3,918)
6. Consideration received on disposal of short-term investments .....	245,416,610	319,056,025
7. Book/adjusted carrying value, current period .....	135,635,883	156,709,056
8. Total valuation allowance .....		0
9. Subtotal (Lines 7 plus 8) .....	135,635,883	156,709,056
10. Total nonadmitted amounts .....		0
11. Statement value (Lines 9 minus 10) .....	135,635,883	156,709,056
12. Income collected during period .....	5,030,213	4,242,939
13. Income earned during period .....	4,880,242	4,602,978

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

## STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health

## SCHEDULE S—CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

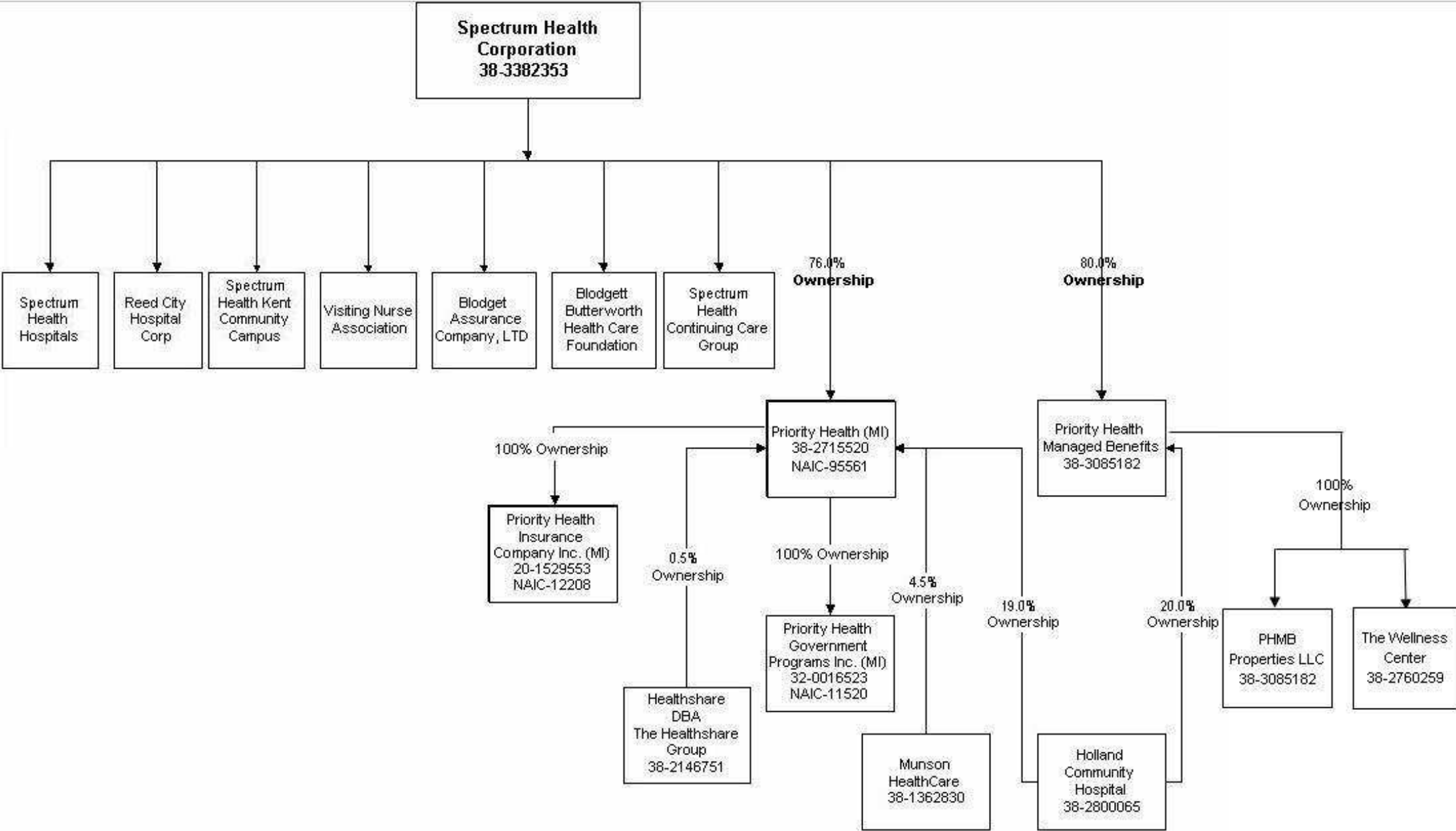
[illegible]

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories									
States, Etc.	1	2	Direct Business Only Year-to-Date						
			3	4	5	6	7	8	
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums	
1. Alabama	AL	No							
2. Alaska	AK	No							
3. Arizona	AZ	No							
4. Arkansas	AR	No							
5. California	CA	No							
6. Colorado	CO	No							
7. Connecticut	CT	No							
8. Delaware	DE	No							
9. District of Columbia	DC	No							
10. Florida	FL	No							
11. Georgia	GA	No							
12. Hawaii	HI	No							
13. Idaho	ID	No							
14. Illinois	IL	No							
15. Indiana	IN	No							
16. Iowa	IA	No							
17. Kansas	KS	No							
18. Kentucky	KY	No							
19. Louisiana	LA	No							
20. Maine	ME	No							
21. Maryland	MD	No							
22. Massachusetts	MA	No							
23. Michigan	MI	No	786,069,763	24,702,337					
24. Minnesota	MN	No							
25. Mississippi	MS	No							
26. Missouri	MO	No							
27. Montana	MT	No							
28. Nebraska	NE	No							
29. Nevada	NV	No							
30. New Hampshire	NH	No							
31. New Jersey	NJ	No							
32. New Mexico	NM	No							
33. New York	NY	No							
34. North Carolina	NC	No							
35. North Dakota	ND	No							
36. Ohio	OH	No							
37. Oklahoma	OK	No							
38. Oregon	OR	No							
39. Pennsylvania	PA	No							
40. Rhode Island	RI	No							
41. South Carolina	SC	No							
42. South Dakota	SD	No							
43. Tennessee	TN	No							
44. Texas	TX	No							
45. Utah	UT	No							
46. Vermont	VT	No							
47. Virginia	VA	No							
48. Washington	WA	No							
49. West Virginia	WV	No							
50. Wisconsin	WI	No							
51. Wyoming	WY	No							
52. American Samoa	AS	No							
53. Guam	GU	No							
54. Puerto Rico	PR	No							
55. U.S. Virgin Islands	VI	No							
56. Northern Mariana Islands	MP								
57. Canada	CN	No							
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0
59. Subtotal	XXX	XXX	786,069,763	24,702,337	0	0	0	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	XXX							
61. Total (Direct Business)	XXX	(a) 1	786,069,763	24,702,337	0	0	0	0	0
DETAILS OF WRITE-INS									
5801.									
5802.									
5803.									
5898. Summary of remaining write-ins for Line 58 from overflow page			0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)			0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE



## SCHEDULE D - PART 3

[illegible]

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B/A. C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B/A. C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
313444-GK-4.	FHLMC		07/15/2006.	MATURITY		1,000,000	1,000,000	1,074,475	1,014,991	0	(14,991)	0	(14,991)	0	1,000,000	0	0	0	55,000	07/15/2006.	1
36202Y-XU-0.	GNMA #610991		09/01/2006.	MBS PAYDOWN		37,349	37,349	37,092	37,322	0	27	0	27	0	37,349	0	0	0	1,225	06/01/2034.	1
36291E-RM-5.	GNMA #626092		09/01/2006.	MBS PAYDOWN		77,432	77,432	78,750	77,708	0	(276)	0	(276)	0	77,432	0	0	0	2,623	03/01/2034.	1
36291S-PT-1.	GNMA #636834		09/01/2006.	MBS PAYDOWN		15,857	15,857	16,184	15,906	0	(48)	0	(48)	0	15,857	0	0	0	596	11/01/2034.	1
0399999 - Bonds - U.S. Governments						1,130,638	1,130,638	1,206,502	1,145,926	0	(15,288)	0	(15,288)	0	1,130,638	0	0	0	59,444	XXX	XXX
31283H-S9-7.	FHLMC G01444		09/01/2006.	MBS PAYDOWN		9,638	9,638	10,039	9,685	0	(47)	0	(47)	0	9,638	0	0	0	417	08/01/2032.	1
31287X-Z8-2.	FHLMC C70767		09/01/2006.	MBS PAYDOWN		20,374	20,374	21,094	20,381	0	(7)	0	(7)	0	20,374	0	0	0	718	09/01/2032.	1
3128JW-ZC-0.	FHLMC 1B2670		08/01/2006.	MBS PAYDOWN		21,822	21,822	21,929	21,841	0	(19)	0	(19)	0	21,822	0	0	0	642	12/01/2034.	1
3128K6-SB-2.	FHLMC A46242		09/01/2006.	MBS PAYDOWN		14,322	14,322	13,769	14,294	0	28	0	28	0	14,322	0	0	0	301	07/01/2035.	1
3128MJ-BP-4.	FHLMC G08045		09/01/2006.	MBS PAYDOWN		11,448	11,448	11,376	11,443	0	5	0	5	0	11,448	0	0	0	384	03/01/2035.	1
3128MJ-BQ-2.	FHLMC G08046		09/01/2006.	MBS PAYDOWN		37,147	37,147	37,704	37,208	0	(61)	0	(61)	0	37,147	0	0	0	1,363	03/01/2035.	1
3128MJ-CJ-7.	FHLMC G08072		09/01/2006.	MBS PAYDOWN		12,435	12,435	12,118	12,418	0	17	0	17	0	12,435	0	0	0	310	08/01/2035.	1
3128MN-CQ-4.	FHLMC G18078		09/01/2006.	MBS PAYDOWN		15,630	15,630	15,359	15,611	0	19	0	19	0	15,630	0	0	0	331	10/01/2020.	1
3128MN-DG-5.	FHLMC G18102		09/01/2006.	MBS PAYDOWN		28,605	28,605	29,025	28,658	0	(53)	0	(53)	0	28,605	0	0	0	755	02/01/2021.	1
31292H-R7-1.	FHLMC C01410		09/01/2006.	MBS PAYDOWN		4,315	4,315	4,451	4,324	0	(9)	0	(9)	0	4,315	0	0	0	172	10/01/2032.	1
31292H-RZ-9.	FHLMC C01404		09/01/2006.	MBS PAYDOWN		4,733	4,733	4,910	4,743	0	(10)	0	(10)	0	4,733	0	0	0	197	10/01/2032.	1
31292J-BQ-2.	FHLMC C01847		09/01/2006.	MBS PAYDOWN		18,386	18,386	18,156	18,366	0	20	0	20	0	18,386	0	0	0	668	06/01/2034.	1
31292J-BR-0.	FHLMC C01848		09/01/2006.	MBS PAYDOWN		29,757	29,757	30,487	29,850	0	(93)	0	(93)	0	29,757	0	0	0	1,192	06/01/2034.	1
31294K-YC-3.	FHLMC E01607		09/01/2006.	MBS PAYDOWN		21,620	21,620	21,890	21,653	0	(33)	0	(33)	0	21,620	0	0	0	723	04/01/2019.	1
312965-TD-8.	FHLMC B13248		09/01/2006.	MBS PAYDOWN		69,854	69,854	71,087	69,942	0	(88)	0	(88)	0	69,854	0	0	0	2,326	04/01/2019.	1
312969-ZB-8.	FHLMC B17190		09/01/2006.	MBS PAYDOWN		19,694	19,694	19,669	19,691	0	3	0	3	0	19,694	0	0	0	575	11/01/2019.	1
312969-FY-9.	FHLMC B16483		09/01/2006.	MBS PAYDOWN		30,067	30,067	30,776	30,184	0	(118)	0	(118)	0	30,067	0	0	0	1,093	09/01/2019.	1
31297C-KU-3.	FHLMC A24807		09/01/2006.	MBS PAYDOWN		45,690	45,690	45,083	45,629	0	61	0	61	0	45,690	0	0	0	1,537	07/01/2034.	1
31297C-ZQ-6.	FHLMC A25251		09/01/2006.	MBS PAYDOWN		23,073	23,073	23,855	23,193	0	(120)	0	(120)	0	23,073	0	0	0	890	08/01/2034.	1
31297E-UN-4.	FHLMC A26889		09/01/2006.	MBS PAYDOWN		3,296	3,296	3,334	3,298	0	(2)	0	(2)	0	3,296	0	0	0	120	09/01/2034.	1
31297E-FG-1.	FHLMC A28267		09/01/2006.	MBS PAYDOWN		44,785	44,785	45,527	44,864	0	(79)	0	(79)	0	44,785	0	0	0	1,573	11/01/2034.	1
31297W-QE-1.	FHLMC A32253		09/01/2006.	MBS PAYDOWN		191,147	191,147	186,846	190,975	0	172	0	172	0	191,147	0	0	0	5,585	04/01/2035.	1
31297N-TA-4.	FHLMC A33245		09/01/2006.	MBS PAYDOWN		6,896	6,896	6,683	6,876	0	19	0	19	0	6,896	0	0	0	207	02/01/2035.	1
31335H-4P-5.	FHLMC C90830		09/01/2006.	MBS PAYDOWN		18,630	18,630	18,359	18,610	0	20	0	20	0	18,630	0	0	0	556	05/01/2024.	1
31335H-5F-6.	FHLMC C90846		09/01/2006.	MBS PAYDOWN		30,182	30,182	30,861	30,265	0	(83)	0	(83)	0	30,182	0	0	0	1,119	08/01/2024.	1
3133X9-DY-3.	FHLB 6T-9009 1.		09/25/2006.	MBS PAYDOWN		28,281	28,281	28,183	28,196	0	84	0	84	0	28,281	0	0	0	725	11/25/2009.	1
31371H-D9-6.	FNMA #252228		09/01/2006.	MBS PAYDOWN		1,236	1,236	1,294	1,244	0	(9)	0	(9)	0	1,236	0	0	0	58	12/01/2028.	1
31371K-T6-8.	FNMA #254473		09/01/2006.	MBS PAYDOWN		8,693	8,693	9,000	8,723	0	(30)	0	(30)	0	8,693	0	0	0	315	10/01/2017.	1
31371K-JC-3.	FNMA #254479		09/01/2006.	MBS PAYDOWN		7,447	7,447	7,701	7,483	0	(36)	0	(36)	0	7,447	0	0	0	325	10/01/2032.	1
31371K-WK-3.	FNMA #254550		09/01/2006.	MBS PAYDOWN		6,165	6,165	6,381	6,195	0	(30)	0	(30)	0	6,165	0	0	0	264	12/01/2032.	1
31371L-DN-6.	FNMA #254909		09/01/2006.	MBS PAYDOWN		16,186	16,186	16,312	16,201	0	(15)	0	(15)	0	16,186	0	0	0	430	09/01/2013.	1
31371L-F2-0.	FNMA #254985		09/01/2006.	MBS PAYDOWN		14,560	14,560	14,669	14,569	0	(9)	0	(9)	0	14,560	0	0	0	482	11/01/2023.	1
31371L-K2-4.	FNMA #255113		09/01/2006.	MBS PAYDOWN		22,906	22,906	22,981	22,913	0	(7)	0	(7)	0	22,906	0	0	0	755	02/01/2024.	1
31371L-SJ-9.	FNMA #255321		09/01/2006.	MBS PAYDOWN		17,749	17,749	18,196	17,791	0	(42)	0	(42)	0	17,749	0	0	0	646	07/01/2024.	1
31371L-Z2-8.	FNMA #255561		09/01/2006.	MBS PAYDOWN		30,307	30,307	30,771	30,393	0	(87)	0	(87)	0	30,307	0	0	0	1,250	12/01/2024.	1
31371W-WG-9.	FNMA #256059		09/01/2006.	MBS PAYDOWN		8,337	8,337	8,298	8,335	0	2	0	2	0	8,337	0	0	0	267	01/01/2036.	1
31371W-U9-6.	FNMA #256308		09/01/2006.	MBS PAYDOWN		17,536	17,536	17,307	17,534	0	2	0	2	0	17,536	0	0	0	137	07/01/2036.	1
31371W-VA-2.	FNMA #256309		09/01/2006.	MBS PAYDOWN		16,045	16,045	16,130	16,047	0	(2)	0	(2)	0	16,045	0	0	0	141	07/01/2036.	1
31374G-WG-8.	FNMA #313947		09/01/2006.	MBS PAYDOWN		1,297	1,297	1,358	1,305	0	(8)	0	(8)	0	1,297	0	0	0	60	01/01/2028.	1
31385J-LC-0.	FNMA #545823		09/01/2006.	MBS PAYDOWN		6,089	6,089	6,307	6,114	0	(25)	0	(25)	0	6,089	0	0	0	225	08/01/2017.	1
31385J-RN-0.	FNMA #545993		09/01/2006.	MBS PAYDOWN		8,138	8,138	8,361	8,160	0											

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	For e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B/A. C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B/A. C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
31403V-GR-4..	FNMA #759008.....		.09/01/2006..	MBS PAYDOWN.....		5,099	5,099	5,061	5,097	.0	.2	.0	.2	.0	5,099	.0	.0	.0	179	.01/01/2034..	.1..
31404D-OG-6..	FNMA #765555.....		.09/01/2006..	MBS PAYDOWN.....		1,456	1,456	1,434	1,453	.0	.3	.0	.3	.0	1,456	.0	.0	.0	49	.12/01/2033..	.1..
31404J-QD-0..	FNMA #770052.....		.09/01/2006..	MBS PAYDOWN.....		7,734	7,734	7,806	7,741	.0	(7)	.0	(7)	.0	7,734	.0	.0	.0	229	.03/01/2019..	.1..
31404K-TB-8..	FNMA #771046.....		.09/01/2006..	MBS PAYDOWN.....		12,992	12,992	12,949	12,990	.0	.2	.0	.2	.0	12,992	.0	.0	.0	387	.04/01/2019..	.1..
31405B-A6-8..	FNMA #784029.....		.09/01/2006..	MBS PAYDOWN.....		36,407	36,407	36,287	36,398	.0	.9	.0	.9	.0	36,407	.0	.0	.0	1,135	.06/01/2019..	.1..
31405C-UT-4..	FNMA #785494.....		.09/01/2006..	MBS PAYDOWN.....		21,653	21,653	21,491	21,640	.0	.13	.0	.13	.0	21,653	.0	.0	.0	679	.06/01/2034..	.1..
31405F-3V-2..	FNMA #788412.....		.09/01/2006..	MBS PAYDOWN.....		6,864	6,864	6,769	6,858	.0	.6	.0	.6	.0	6,864	.0	.0	.0	207	.07/01/2019..	.1..
31405H-5G-9..	FNMA #790247.....		.09/01/2006..	MBS PAYDOWN.....		20,927	20,927	20,456	20,899	.0	.28	.0	.28	.0	20,927	.0	.0	.0	656	.08/01/2034..	.1..
31405M-MA-2..	FNMA #793353.....		.09/01/2006..	MBS PAYDOWN.....		24,340	24,340	25,071	24,419	.0	(78)	.0	(78)	.0	24,340	.0	.0	.0	949	.08/01/2034..	.1..
31405N-S8-9..	FNMA #794443.....		.09/01/2006..	MBS PAYDOWN.....		20,929	20,929	21,174	20,956	.0	(27)	.0	(27)	.0	20,929	.0	.0	.0	765	.10/01/2034..	.1..
31405P-QQ-6..	FNMA #795263.....		.09/01/2006..	MBS PAYDOWN.....		13,427	13,427	13,671	13,454	.0	(27)	.0	(27)	.0	13,427	.0	.0	.0	466	.09/01/2019..	.1..
31406B-EU-0..	FNMA #804847.....		.09/01/2006..	MBS PAYDOWN.....		2,487	2,487	2,398	2,481	.0	.6	.0	.6	.0	2,487	.0	.0	.0	74	.01/01/2035..	.1..
31406F-TS-0..	FNMA #808861.....		.09/01/2006..	MBS PAYDOWN.....		31,721	31,721	32,215	31,778	.0	(58)	.0	(58)	.0	31,721	.0	.0	.0	1,123	.01/01/2035..	.1..
31406K-E9-7..	FNMA #812060.....		.09/01/2006..	MBS PAYDOWN.....		28,446	28,446	28,317	28,436	.0	.11	.0	.11	.0	28,446	.0	.0	.0	903	.03/01/2035..	.1..
31406T-JR-3..	FNMA #819372.....		.09/01/2006..	MBS PAYDOWN.....		24,444	24,444	24,316	24,433	.0	.11	.0	.11	.0	24,444	.0	.0	.0	727	.03/01/2020..	.1..
31407B-U6-4..	FNMA #826005.....		.09/01/2006..	MBS PAYDOWN.....		18,427	18,427	17,790	18,363	.0	.64	.0	.64	.0	18,427	.0	.0	.0	607	.07/01/2035..	.1..
31407Y-ES-4..	FNMA #844445.....		.09/01/2006..	MBS PAYDOWN.....		13,049	13,049	12,562	13,047	.0	.3	.0	.3	.0	13,049	.0	.0	.0	92	.12/01/2035..	.1..
31407Y-R6-8..	FNMA #844809.....		.09/01/2006..	MBS PAYDOWN.....		11,477	11,477	11,175	11,459	.0	.17	.0	.17	.0	11,477	.0	.0	.0	336	.11/01/2035..	.1..
31408A-EN-6..	FNMA #845341.....		.09/01/2006..	MBS PAYDOWN.....		16,258	16,258	16,187	16,255	.0	.3	.0	.3	.0	16,258	.0	.0	.0	454	.01/01/2036..	.1..
31408B-2X-5..	FNMA #846890.....		.09/01/2006..	MBS PAYDOWN.....		16,134	16,134	15,928	16,121	.0	.14	.0	.14	.0	16,134	.0	.0	.0	603	.12/01/2035..	.1..
31408D-UQ-5..	FNMA #848491.....		.09/01/2006..	MBS PAYDOWN.....		27,219	27,219	26,692	27,190	.0	.30	.0	.30	.0	27,219	.0	.0	.0	644	.12/01/2035..	.1..
31409E-LS-8..	FNMA #868937.....		.09/01/2006..	MBS PAYDOWN.....		32,735	32,735	33,134	32,754	.0	(19)	.0	(19)	.0	32,735	.0	.0	.0	376	.05/01/2036..	.1..
3199999 - Bonds - Special Revenues						1,602,897	1,602,897	1,610,018	1,604,125	0	(1,229)	0	(1,229)	0	1,602,897	0	0	0	51,225	xxx	xxx
07383F-AA-6..	BSCMS 1998-C1 A1.....		.09/01/2006..	MBS PAYDOWN.....		19,297	19,297	20,898	19,618	.0	(321)	.0	(321)	.0	19,297	.0	.0	.0	813	.10/01/2007..	.1FE..
14040K-BX-5..	COMT 2001-5 A.....		.08/15/2006..	MBS PAYDOWN.....		500,000	500,000	521,484	506,016	.0	(6,016)	.0	(6,016)	.0	500,000	.0	.0	.0	17,667	.08/15/2006..	.1FE..
				SECURITY CALLED BY ISSUER																	
151313-AQ-6..	CENDANT CORP.....		.09/28/2006..	at 101,262.....		253,155	250,000	271,745	260,733	.0	(3,809)	.0	(3,809)	.0	256,924	.0	(3,769)	(3,769)	18,793	.01/15/2008..	.2FE..
16151R-AX-1..	CHAMT 2001-4 A.....		.07/17/2006..	MBS PAYDOWN.....		800,000	800,000	840,281	810,884	.0	(10,884)	.0	(10,884)	.0	800,000	.0	.0	.0	25,667	.07/15/2006..	.1FE..
22540A-JM-1..	CSFB 1998-C2 A2.....		.09/15/2006..	MBS PAYDOWN.....		27,825	27,825	30,395	28,293	.0	(468)	.0	(468)	.0	27,825	.0	.0	.0	1,270	.12/11/2008..	.1FE..
22540V-EH-1..	CSFB 2001-CKN5 A3.....		.09/01/2006..	MBS PAYDOWN.....		20,810	20,810	21,541	21,205	.0	(396)	.0	(396)	.0	20,810	.0	.0	.0	662	.01/01/2010..	.1FE..
23383V-BW-9..	DCAT 2002-C A4.....		.08/15/2006..	MBS PAYDOWN.....		417,895	417,895	420,931	419,275	.0	(1,380)	.0	(1,380)	.0	417,895	.0	.0	.0	8,477	.12/08/2006..	.1FE..
337367-AB-2..	FULBA 1998-C2 A2.....		.09/01/2006..	MBS PAYDOWN.....		9,665	9,665	10,457	9,828	.0	(162)	.0	(162)	.0	9,665	.0	.0	.0	439	.11/01/2008..	.1FE..
41283A-BK-4..	HDMOT 2004-2 A1.....		.09/15/2006..	MBS PAYDOWN.....		22,438	22,438	22,436	22,437	.0	.1	.0	.1	.0	22,438	.0	.0	.0	325	.11/15/2006..	.1FE..
460146-AT-0..	INTL PAPER CO.....		.08/01/2006..	MATURITY.....		250,000	250,000	281,950	256,681	.0	(6,681)	.0	(6,681)	.0	250,000	.0	.0	.0	19,688	.08/01/2006..	.2FE..
46625M-WW-5..	JPMCC 2003-CB6 A1.....		.09/01/2006..	MBS PAYDOWN.....		20,307	20,307	20,482	20,331	.0	(24)	.0	(24)	.0	20,307	.0	.0	.0	592	.12/01/2012..	.1FE..
61745M-KY-8..	MSC 1999-RM1 A2.....		.09/01/2006..	MBS PAYDOWN.....		89,070	89,070	98,764	90,437	.0	(1,367)	.0	(1,367)	.0	89,070	.0	.0	.0	3,926	.10/01/2008..	.1FE..
949780-AA-8..	WFMSB 2003-6 1A1.....		.09/01/2006..	MBS PAYDOWN.....		30,318	30,318	30,697	30,359	.0	(41)	.0	(41)	.0	30,318	.0	.0	.0	1,032	.05/01/2018..	.1FE..
CDX053-93-7..	BANK OF HOLLAND #501702.....		.09/22/2006..	MATURITY.....		50,000	50,000	50,000	50,000	.0	.0	.0	.0	.0	50,000	.0	.0	.0	1,987	.09/22/2006..	.1FE..
4599999 - Bonds - Industrial and Miscellaneous						2,510,780	2,507,625	2,642,062	2,546,097	0	(31,547)	0	(31,547)	0	2,514,550	0	(3,769)	(3,769)	101,337	xxx	xxx
6099997 - Bonds - Part 4						5,244,315	5,241,160	5,458,582	5,296,148	0	(48,064)	0	(48,064)	0	5,248,084	0	(3,769)	(3,769)	212,007	xxx	xxx
6099999 - Total - Bonds						5,244,315	5,241,160	5,458,582	5,296,148	0	(48,064)	0	(48,064)	0	5,248,084	0	(3,769)	(3,769)	212,007	xxx	xxx
6599999 - Total - Preferred Stocks						0	xxx	0	0	0	0	0	0	0	0	0	0	0	0	xxx	xxx
7299999 - Total - Common Stocks						0	xxx	0	0	0	0	0	0	0	0	0	0	0	0	xxx	xxx
7399999 - Total - Preferred and Common Stocks						0	xxx	0	0	0	0	0	0	0	0	0	0	0	0	xxx	xxx
7499999 Totals						5,244,315	xxx	5,458,582	5,296,148	0	(48,064)	0	(48,064)	0	5,248,084	0	(3,769)	(3,769)	212,007	xxx	xxx

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0 .

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

**STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health**

## SCHEDULE E - PART 1 - CASH

[illegible]

## SCHEDULE E - PART 2 CASH EQUIVALENTS

1 CUSIP Identification	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/Adjusted Carrying Value	8 Amount of Interest Due and Accrued	9 Gross Investment Income
				NONE				
0199999 Total Cash Equivalents								